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Report Highlights:
India's CY 2005 broiler production is forecast to grow by 15 percent to 1.9 million tons due to greater availability of raw feed materials and increased demand for poultry meat caused by higher consumer income. Increasing forward integration in poultry operation, growing farmer preference for birds with higher dressing yield, and price stabilization measures initiated by the industry are also factors supporting production growth, mostly in the southern and western growing belts.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Table of Contents

Production

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Production Developments

Integration is the catchword in the South Indian broiler industry due to higher profits and better management of production and prices. Under this system, growers receive day-old chicks, feed, medicines, and other services with the assurance that their birds will be purchased at a contracted price. Input costs are deducted from the payment to the grower, and he is given an incentive bonus if the feed conversion rate (FCR) and/or mortality rate is better than the contracted level. In the eastern and the western regions integration also is taking root. However, the industry in the north continues to remain un-integrated, with the poultry entrepreneurs regarded as "risk adverse." Here very little attention is paid to technical details such as feed conversion rates, balanced nutrition, or feed quality.

In 2003, processed meat constituted seven percent of total production and is expected to grow to nine percent in 2004. Rising consumer income, changing lifestyles, and increasing publicity are spurring growth. The recent cut in excise tariffs for processed poultry products is expected to provide a further impetus to processed poultry production. Currently there are two processors exporting frozen whole birds to the Middle East. However, high domestic feed cost is affecting their profitability and competitiveness.

Despite high corn and soybean meal prices, commercial poultry feed consumption grew by ten percent to an estimated 3.9 million tons in 2003, due to increased availability of alternative feed materials, such as other coarse cereals and oil meals. The usage of soybean meal by the domestic poultry sector in 2003 is estimated at 1.2 million ton. The share of compounded feed in total feed consumption is growing due to increased farmer awareness about the benefits of balanced feeding, and a growing commercialization in the poultry industry.

Consumption

In 2004, poultry meat consumption is estimated at 1.6 kg per person. The Indian poultry industry is primarily a live bird market. Although there is a growing market for chilled and, to a much lesser extent, frozen poultry products among restaurants and hotels, most home consumers still prefer freshly slaughtered birds. This also restricts the market potential for imported poultry meat products, which have to be brought in either chilled or frozen form. Movement of live poultry from low cost production areas to high cost consumption areas is limited by high mortality rates, transportation bottlenecks, and weight loss. This leads to significant temporal and spatial fluctuations in producer prices. Although a shift to chilled products is visible in urban areas, in part due to slaughter restrictions, growth in demand for frozen products will continue to remain low due to inadequate cold chain facilities and minimal consumer preference for such products.

Vertical integration up to the retail level by a few entrepreneurs in South India has lead to affordable meat prices to consumers, by eliminating middlemen. These integrators have established wholesale and retail price leadership in the markets where they operate, forcing other wholesalers and retailers to reduce their margins. The lower retail price has stimulated consumption, with per capita consumption in this region reported to be 6 times the national average. In most other regions, particularly in the north, the traditional wholesale traders continue to dominate the market, and marketing margins and retail prices are considerably higher than in the south.

Luxury hotels account for most of the consumption of processed poultry products. Most of the processed meat is sold in the form of chilled whole birds or parts, with limited sales of frozen products. Hotels in need of other value added meat products, such as sausages, salami etc., depend largely on imports.

Production Policy

The poultry sector does not receive any direct government assistance or subsidy. The income from the poultry industry is taxed, where as agricultural income is tax-free. However, the government funds several research activities in the poultry sector. Total government spending for such activities in FY 2004/05 (Apr-Mar) was $2.1 million, compared with $1.8 million in FY 2003/04. The poultry meat exporters are demanding a subsidy for airfreight and cold storage to facilitate export growth.

Trade

India's 2005 exports are likely to remain negligible at about 1000 tons due to lack of industry competitiveness. Current poultry meat exports are mostly from the South, as integrators and processors in this region have buy-back arrangements with distributors based in the Middle East. As production costs in the western and southern regions are low and second only to those of Brazil, some integrators are currently exploring the possibility of exporting, mainly to the Middle East.

Imports of poultry meat and meat products are currently banned from all the countries due to HPAI concerns. However, processed meat could be imported from those countries, which are free of HPAI as per the World Animal Health Organization (OIE) guidelines. Government policy permits imports of grandparent breeding stocks from countries free of HPAI per OIE guidelines, subject to importers getting an advance special import permit issued by the Department of Animal Husbandry, Ministry of Agriculture. Grandparent hatching eggs and the grandparent day old chicks also carry a tariff of 30.6 percent. Most of the existing broiler breeds are derivatives of American strains such as Cobb, Hubbard, Arbor Acres, and Hyline. While some of them are derivatives of pureline breeds, others are derivatives of grand parent stocks. Grandparent based breeders resort to frequent imports to replenish their supplies, whereas pureline breeders need not do so. However, as the existing breed based on pureline imports becomes outdated, breeders prefer imports of improved GP/pureline breeds. Some feed additives such as lysine, methionine, choline, and vaccines/vaccine related raw materials are also mostly imported. Bilogicals such as killed vaccine imports are currently allowed from countries reporting free of HPAI and live vaccine imports are not permitted currently.

Market Opportunities

Expansion of the integrated poultry operation is likely to help sustain the high growth in meat production and create an increasingly competitive industry. This would result in stronger demand for lower priced corn, which would necessitate imports, unless domestic production increases sharply. Since most integrators do not have their own grandparent operations, they are potential importers of grand parent birds, mostly of U.S.- based breeds. Although India is currently a substantial exporter of soybean meal (competing against the U.S. in certain markets), the rapid growth in the poultry industry would reduce exportable supplies, creating potential market opportunities for other exporters, including the United States. Currently, the custom duty for poultry meat (parts) is 100 percent (equal to the WTO bound rate), sufficiently high to prevent imports from occurring. If the bound rate were significantly cut, a possibility under a successful Doha Round negotiation, there would be opportunities to export US leg quarters to the hotel, restaurant, and institutional markets of India.

Table 1: Trade Treatment for Poultry and Feed Ingredient Imports

HTS Code	Commodity	Trade Policy* Open General License (OGL)	Applied Tariff** %
010511	Poultry Grand Parent Stocks	OGL	30.6
0207	Poultry Meat	Currently banned	100.0
0407	Eggs (Table/Hatching)	OGL	30.6
0408	Egg Yolks	OGL	30.6
100590	Corn, for Feed	OGL	15.3/61.2
100700	Sorghum	Canalized	51
230120	Fish Meal	OGL	0
2306	Oil meals	OGL	30.6
2309 9020	Concentrates for Compound Feeds	OGL	30.6
2309 9010	Compounded Poultry Feed	OGL	30.6

Note: All tariffs are equal to or below GATT bindings. Whole Birds, Dressed Fresh/Chilled (0207.12) attract a GATT bound duty of 30.6 percent. Corn imports subject to TRQ of 500,000 tons with an in-quota tariff of 15.3 % and out of quota tariff of 61.2%.

* Livestock and livestock product imports would be allowed against sanitary import permit to be issued by Joint Secretary (Trade), Department of Animal Husbandry, Ministry of Agriculture.

** Includes basic tariff and a 2% education cess (surcharge) as applicable for the respective commodities.

Table 2: Commodity, Poultry Meat, Chicken–16 weeks, PSD

PSD Table							
Country:	**India**						
Commodity:	**Plty, Meat, Chicken -16 wks**						
		2003		**2004**		**2005**	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		**01/2003**		**01/2004**		**01/2005**	(MONTH/YEAR)
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	1600	1600	1800	1650	0	1900	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1600	**1600**	1800	**1650**	0	**1900**	(1000 MT)
Whole, Exports	0	0	1	1	0	1	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	1	1	0	1	(1000 MT)
Human Consumption	1600	1600	1799	1649	0	1899	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1600	1600	1799	1649	0	1899	(1000 MT)
TOTAL Use	1600	1600	1800	1650	0	1900	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	1600	**1600**	1800	**1650**	0	**1900**	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)